

Message Text

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PAGE 01 SEOUL 04959 130312Z
ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 /091 W
-----037413 130517Z /15

R 130240Z JUN 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 1596
INFO AMCONSUL HONG KONG
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: EFIN, KS
SUBJ: ROK RAISES INTEREST RATES

REF: SEOUL 4920

1. THE MINISTRY OF FINANCE ANNOUNCED JUNE 12 A GENERAL REVISION OF KOREA'S INTEREST RATE STRUCTURE FOR BOTH LOANS AND DEPOSITS. TIME DEPOSITS OF OVER ONE YEAR WERE RAISED 4.2 PERCENTAGE POINTS TO 18.6 PERCENT PER ANNUM. SMALLER ADJUSTMENTS WERE MADE FOR SHORT-TERM MONEY (1.8 PERCENTAGE POINTS FOR OVER ONE MONTH AND 3-6 MONTH DEPOSITS).

2. THE PRIME RATE WAS RAISED BY 3.5 PERCENTAGE POINTS FROM 15 PERCENT TO 18.5 PERCENT. PRIME OVERDRAFT RATES WERE INCREASED BY A SIMILAR AMOUNT TO 20.5 PERCENT PER ANNUM. FOREIGN EXCHANGE LOANS REMAIN AT LIBOR PLUS 0.875 TO 1.25 PERCENT.

3. IN MAKING HIS ANNOUNCEMENT FINANCE MINISTER KIM NOTED THAT THE REALIGNMENT OF INTEREST RATES WAS ONE OF LIMITED OFFICIAL USE

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VARIOUS MEASURES TO BE ENFORCED TO COPE WITH THE CURRENT INFLATIONARY SPIRAL AND OVERHEATED ECONOMIC SITUATION.

4. THE ANNOUNCEMENT WAS GREETED LESS THAN ENTHUSIASTICALLY BY BUSINESS CIRCLES. THE FEDERATION OF KOREAN INDUSTRIES ASSERTED HIGHER INTEREST COSTS WOULD RESULT IN COST-PUSH PRESSURES ON INDUSTRY AND ESPECIALLY HURT SMALL BUSINESSES

ALREADY FACED WITH SHORTAGES OF WORKING CAPITAL. SIMILAR SENTIMENTS WERE EXPRESSED BY THE KOREAN TRADERS ASSOCIATION AND KOREA CHAMBER OF COMMERCE AND INDUSTRY.

5. FYI: THE EMBASSY UNDERSTANDS THAT THE LOCAL IMF REPRESENTATIVE HAS BEEN QUIETLY PUSHING FOR HIGHER INTEREST RATES IN LINE WITH THE RETURN ON CAPITAL AND DEMAND CONDITIONS FOR SOME TIME. - END FYI

6. TABLE OF REVISED INTEREST RATES WILL BE FORWARDED VIA AIRGRAM.
SNEIDER

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTEREST RATES, ANTIINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL04959
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780246-0241
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780665/aaaacdqy.tel
Line Count: 74
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b24d498a-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 SEOUL 4920
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2371855
Secure: OPEN
Status: NATIVE
Subject: ROK RAISES INTEREST RATES
TAGS: EFIN, KS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b24d498a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
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